

OPEN MEETING



MEMORANDUM

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TO: THE COMMISSION

Arizona Corporation Commission

DOCKETED

2007 JAN -2 P 2 25

FROM: Utilities Division

JAN _ 2 2008

AZ CORP COMMISSION
DOCKET CONTROL

DATE: January 2, 2008

DOCKETED BY

RE: ARIZONA PUBLIC SERVICE - APPLICATION FOR APPROVAL OF SCHEDULE SC-S PARTIAL REQUIREMENTS STANDARD CONTRACT - SOLAR (DOCKET NOS. E-01345A-05-0816, E-01345A-05-0826, AND E-01345A-05-0827)

Background

Arizona Public Service Company ("APS") had proposed two new partial requirement rate schedules, E-56 and E-57, in its last rate case. The Decision in that case, Decision No. 69663, did not approve the tariffs but required APS to meet with Staff and interested parties to discuss and possibly revise Schedules E-56 and E-57. (Decision No. 69663 froze existing partial requirement rate schedules E-55 and E-32R.) APS was to submit revised rate schedules for Commission approval within 60 days of the Decision. APS held meetings with interested parties on August 6, 2007, and August 17, 2007.

On August 28, 2007, APS filed an application for approval of new electric tariffs, Schedules E-56 (Partial Requirements Service) and E-57 (Solar Partial Requirements Service) in the above-captioned Dockets. APS included a statement that waived the 30-day time clock.

On November 27, 2007, APS filed a revised version of Schedule E-56. The Commission approved Schedule E-56 on December 21, 2007, in Decision No. 70106. Schedule E-56 provides back-up and supplemental electric service to customers operating on-site generation of any type.

On December 18, 2007, APS filed a motion for the Commission to stay its consideration of Schedule E-57 until such time as APS has concluded a study to determine the economic benefits of distributed generation and has incorporated such benefits, if any, in its proposed Schedule E-57. APS expects results of the study to be available in about 12 months. In the interim, APS has filed a proposed Schedule SC-S (Partial Requirements Standard Contract - Solar) and its associated generic Commercial Electric Supply/Purchase Agreement ("Agreement"). Schedule SC-S and the Agreement, containing terms similar to those contained in the proposed Schedule E-57, would be available for general service customers that have solar photovoltaic ("PV") generation equipment with a nameplate rating of greater than 100 kW.

A partial requirements rate schedule is necessary for customers who provide either all or a portion of their own generation. If the self generation supplies less than 100 percent of the customer's load, utility generation must be purchased for the remainder. Even if the customer's

generation is sufficient to serve the full load, utility service is needed during maintenance or other outage circumstances. Schedule SC-S and the Agreement would avoid having to develop unique special contracts with solar generators who require supplemental and back-up service before Schedule E-57 is revised and approved by the Commission.

Proposed Schedule SC-S

Schedule SC-S would be available to any General Service customer having PV generation facilities with a nameplate rating of greater than 100 kW. Service would be in accordance with the attached generic Agreement.

APS would install, at the customer's expense, a bi-directional Supply Meter at the point of delivery to the customer and a Generator Meter at the point of output from each customer generator. All of the meters would record integrated demand and energy on a 15-minute interval basis.

Customers would enter into the Agreement incorporated with Schedule SC-S as well as a separate Interconnection Agreement. APS would file the executed Agreement in compliance with the Decision in this matter.

Proposed SC-S Commercial Electric Supply/Purchase Agreement

Purpose of Agreement

The Agreement would be for the purchase of electric power and energy from the Customer's solar generating facility ("GF") by APS, and/or the sale of electric power and energy from APS to the Customer.

Sales to Customer

The Customer would purchase electricity from APS in accordance with the standard retail electric schedules in effect for the customer. Those rate schedules would be made part of the Agreement.

A maximum kW demand would be inserted in the Agreement for each customer. The customer would provide APS with 30 days advance written notice of any demand above the maximum kW specified in the Agreement. A minimum kW billing demand for purposes of establishing a minimum bill would also be inserted in the Agreement for each customer.

The Agreement would become effective upon execution by the parties, subject to any required regulatory approvals.

Supplemental Service

Supplemental demand and energy would be contracted by the Customer to augment the electricity provided by the Customer's GF. It would be determined by the metered quantities recorded on the Supply Meters.

Standby Service

Standby service provides electricity to the customer at a time when the customer's GF is out of service. The Agreement would provide for the monthly contract standby capacity to be determined based on the kW demand recorded on the Generator Meter(s) at the time that the customer's Supply Meter registers the highest kW demand during the billing period.

Rates

The Agreement would provide for all rates to be taken from the applicable General Service rate schedule from which customers are currently taking service. The Basic Service and Revenue Cycle Service charges would continue to apply. Supplemental service would be provided in accordance with rate levels contained in the customer's applicable General Service rate schedule, excluding the monthly Basic Service and Revenue Cycle Service charges. Charges for Standby service would consist of (1) the unbundled delivery demand charge contained in the customer's applicable General Service rate schedule multiplied by the kW measured on the Generator Meter during the customer's monthly peak demand plus (2) the unbundled delivery energy charge (if applicable) multiplied by the kWh measured on the Generator Meter during the customer's billing month. The customer would pay all applicable adjustments included in the customer's applicable General Service rate schedule.

Purchases from Customer

APS would pay the customer for any energy purchased from the customer at the per kWh seasonal, non-firm avoided cost rates shown in Schedule EPR-2.

Term of Agreement

The Agreement would remain in effect for five years unless (a) it is terminated by mutual agreement of the parties, (b) it is replaced by another electric supply/purchase agreement, (c) upon 30 days advance written notice by either party, (d) a Commission-approved rate schedule is available that provides essentially the same service, (e) service is terminated, or (f) the Interconnection Agreement is terminated. APS would have the option to terminate the Agreement if the customer ceases to operate the GF for 60 consecutive days during periods other than planned scheduled maintenance periods.

Staff Analysis and Recommendations

Staff recommends approval of the proposed Schedule SC-S and the Agreement with the modifications described below.

Staff notes the restriction to General Service customers. Although Residential customers with solar or photovoltaic generation greater than 100 kW may be rare, excluding them from this tariff removes some options. The recently approved Schedule E-56 is available to Residential customers; but customers should be able to choose from other tariff options that could be offered. Staff recommends that the words "General Service" be removed from any place in Schedule SC-S or the Agreement where such restriction may appear or be implied.

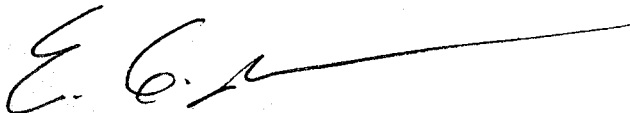
One item in Section 10 (Term of Agreement) of the proposed Agreement allows either party to terminate the Agreement upon 30 days advance written notice. Staff is concerned that this language may allow the Company to terminate service which is being provided pursuant to a Commission-approved tariff. Schedule SC-S would be a Commission-approved tariff and standard contract; APS should not have the power to terminate unless it shows good cause, and has Commission authorization. Therefore, Staff recommends that the language in Item (c) of Section 10 in the Agreement concerning contract termination be changed to read:

"(c) upon thirty (30) days advance written notice given by the Customer"

Staff recommends that the Commission order Staff to open a Docket for receipt of the executed Agreements to be filed in compliance with the Decision in this matter. Staff also recommends that the executed Agreements go into effect in 30 days from the filing date unless otherwise ordered by the Commission.

Staff has analyzed this application in terms of whether there were fair value implications. Compared to APS' total revenues, any impact from Schedule SC-S and the Agreement would be de minimus, and any impact on APS' fair value rate base and rate of return would also be de minimus.

Staff further recommends that the Commission require APS to file with Docket Control, as a compliance item in this matter, tariff pages consistent with the terms of the Commission's Decision within 15 days from the effective date of the Decision.



Ernest G. Johnson
Director
Utilities Division

EGJ:JJP:lhmkT

ORIGINATOR: Jeffrey Pasquinelli

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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF ARIZONA PUBLIC
SERVICE - APPLICATION FOR
APPROVAL OF SCHEDULE SC-S
PARTIAL REQUIREMENTS STANDARD
CONTRACT-SOLAR

DOCKET NOS. E-01345A-05-0816
E-01345A-05-0826
E-01345A-05-0827

DECISION NO. _____
ORDER

Open Meeting
January 15 and 16, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Background

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. APS had proposed two new partial requirement rate schedules, E-56 and E-57, in its last rate case. The Decision in that case, Decision No. 69663, did not approve the tariffs but required APS to meet with Staff and interested parties to discuss and possibly revise Schedules E-56 and E-57. (Decision No. 69663 froze existing partial requirement rate schedules E-55 and E-32R.) APS was to submit revised rate schedules for Commission approval within 60 days of the Decision. APS held meetings with interested parties on August 6, 2007, and August 17, 2007.
3. On August 28, 2007, APS filed an application for approval of new electric tariffs, Schedules E-56 (Partial Requirements Service) and E-57 (Solar Partial Requirements Service) in the above-captioned Dockets. APS included a statement that waived the 30-day time clock.

1 4. On November 27, 2007, APS filed a revised version of Schedule E-56. The
2 Commission approved Schedule E-56 on December 21, 2007, in Decision No. 70106. Schedule
3 E-56 provides back-up and supplemental electric service to customers operating on-site generation
4 of any type.

5 5. On December 18, 2007, APS filed a motion for the Commission to stay its
6 consideration of Schedule E-57 until such time as APS has concluded a study to determine the
7 economic benefits of distributed generation and has incorporated such benefits, if any, in its
8 proposed Schedule E-57. APS expects results of the study to be available in about 12 months. In
9 the interim, APS has filed a proposed Schedule SC-S (Partial Requirements Standard Contract -
10 Solar) and its associated generic Commercial Electric Supply/Purchase Agreement ("Agreement").
11 Schedule SC-S and the Agreement, containing terms similar to those contained in the proposed
12 Schedule E-57, would be available for general service customers that have solar photovoltaic
13 ("PV") generation equipment with a nameplate rating of greater than 100 kW.

14 6. A partial requirements rate schedule is necessary for customers who provide either
15 all or a portion of their own generation. If the self generation supplies less than 100 percent of the
16 customer's load, utility generation must be purchased for the remainder. Even if the customer's
17 generation is sufficient to serve the full load, utility service is needed during maintenance or other
18 outage circumstances. Schedule SC-S and the Agreement would avoid having to develop unique
19 special contracts with solar generators who require supplemental and back-up service before
20 Schedule E-57 is revised and approved by the Commission.

21 **Proposed Schedule SC-S**

22 7. Schedule SC-S would be available to any General Service customer having PV
23 generation facilities with a nameplate rating of greater than 100 kW. Service would be in
24 accordance with the attached generic Agreement.

25 8. APS would install, at the customer's expense, a bi-directional Supply Meter at the
26 point of delivery to the customer and a Generator Meter at the point of output from each customer
27 generator. All of the meters would record integrated demand and energy on a 15-minute interval
28 basis.

1 9. Customers would enter into the Agreement incorporated with Schedule SC-S as
2 well as a separate Interconnection Agreement. APS would file the executed Agreement in
3 compliance with the Decision in this matter.

4 **Proposed SC-S Commercial Electric Supply/Purchase Agreement**

5 Purpose of Agreement

6 10. The Agreement would be for the purchase of electric power and energy from the
7 Customer's solar generating facility ("GF") by APS, and/or the sale of electric power and energy
8 from APS to the Customer.

9 Sales to Customer

10 11. The Customer would purchase electricity from APS in accordance with the standard
11 retail electric schedules in effect for the customer. Those rate schedules would be made part of the
12 Agreement.

13 12. A maximum kW demand would be inserted in the Agreement for each customer.
14 The customer would provide APS with 30 days advance written notice of any demand above the
15 maximum kW specified in the Agreement. A minimum kW billing demand for purposes of
16 establishing a minimum bill would also be inserted in the Agreement for each customer.

17 13. The Agreement would become effective upon execution by the parties, subject to
18 any required regulatory approvals.

19 Supplemental Service

20 14. Supplemental demand and energy would be contracted by the Customer to augment
21 the electricity provided by the Customer's GF. It would be determined by the metered quantities
22 recorded on the Supply Meters.

23 Standby Service

24 15. Standby service provides electricity to the customer at a time when the customer's
25 GF is out of service. The Agreement would provide for the monthly contract standby capacity to
26 be determined based on the kW demand recorded on the Generator Meter(s) at the time that the
27 customer's Supply Meter registers the highest kW demand during the billing period.

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Rates

16. The Agreement would provide for all rates to be taken from the applicable General Service rate schedule from which customers are currently taking service. The Basic Service and Revenue Cycle Service charges would continue to apply. Supplemental service would be provided in accordance with rate levels contained in the customer's applicable General Service rate schedule, excluding the monthly Basic Service and Revenue Cycle Service charges. Charges for Standby service would consist of (1) the unbundled delivery demand charge contained in the customer's applicable General Service rate schedule multiplied by the kW measured on the Generator Meter during the customer's monthly peak demand plus (2) the unbundled delivery energy charge (if applicable) multiplied by the kWh measured on the Generator Meter during the customer's billing month. The customer would pay all applicable adjustments included in the customer's applicable General Service rate schedule.

Purchases from Customer

17. APS would pay the customer for any energy purchased from the customer at the per kWh seasonal, non-firm avoided cost rates shown in Schedule EPR-2.

Term of Agreement

18. The Agreement would remain in effect for five years unless (a) it is terminated by mutual agreement of the parties, (b) it is replaced by another electric supply/purchase agreement, (c) upon 30 days advance written notice by either party, (d) a Commission-approved rate schedule is available that provides essentially the same service, (e) service is terminated, or (f) the Interconnection Agreement is terminated. APS would have the option to terminate the Agreement if the customer ceases to operate the GF for 60 consecutive days during periods other than planned scheduled maintenance periods.

Staff Analysis and Recommendations

19. Staff has recommended approval of the proposed Schedule SC-S and the Agreement with the modifications described below.

20. Staff has noted the restriction to General Service customers. Although Residential customers with solar or photovoltaic generation greater than 100 kW may be rare, excluding them

1 from this tariff removes some options. The recently approved Schedule E-56 is available to
2 Residential customers; but customers should be able to choose from other tariff options that could
3 be offered. Staff has recommended that the words "General Service" be removed from any place
4 in Schedule SC-S or the Agreement where such restriction may appear or be implied.

5 21. One item in Section 10 (Term of Agreement) of the proposed Agreement allows
6 either party to terminate the Agreement upon 30 days advance written notice. Staff is concerned
7 that this language may allow the Company to terminate service which is being provided pursuant
8 to a Commission-approved tariff. Schedule SC-S would be a Commission-approved tariff and
9 standard contract; APS should not have the power to terminate unless it shows good cause, and has
10 Commission authorization. Therefore, Staff has recommended that the language in Item (c) of
11 Section 10 in the Agreement concerning contract termination be changed to read:

12 "(c) upon thirty (30) days advance written notice given by the Customer"

13 22. Staff has recommended that the Commission order Staff to open a Docket for
14 receipt of the executed Agreements to be filed in compliance with the Decision in this matter.
15 Staff has also recommended that the executed Agreements go into effect in 30 days from the filing
16 date unless otherwise ordered by the Commission.

17 23. Staff has analyzed this application in terms of whether there were fair value
18 implications. Compared to APS' total revenues, any impact from Schedule SC-S and the
19 Agreement would be de minimus, and any impact on APS' fair value rate base and rate of return
20 would also be de minimus.

21 24. Staff has further recommended that the Commission require APS to file with
22 Docket Control, as a compliance item in this matter, tariff pages consistent with the terms of the
23 Commission's Decision within 15 days from the effective date of the Decision.

24 CONCLUSIONS OF LAW

25 1. Arizona Public Service Company is an Arizona public service corporation within
26 the meaning of Article XV, Section 2 of the Arizona Constitution.

27 2. The Commission has jurisdiction over Arizona Public Service Company and the
28 subject matter of the application.

1 3. Approval of the proposed tariff does not constitute a rate increase as contemplated
2 by A.R.S. Section 40-250.

3 4. The Commission, having reviewed the application and Staff's Memorandum dated
4 January 2, 2008, concludes that it is in the public interest to approve Schedule SC-S and the
5 Agreement, as modified herein.

6 ORDER

7 IT IS THEREFORE ORDERED that Schedule SC-S and the Agreement, with the
8 modifications described in Findings of Fact Nos. 20 and 21, be and hereby is approved.

9 IT IS FURTHER ORDERED that Staff shall open a Docket for receipt of the executed
10 Agreements to be filed in compliance with this Decision.

11 IT IS FURTHER ORDERED that the executed Agreements shall go into effect in 30 days
12 from the filing date unless otherwise ordered by the Commission.

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1 IT IS FURTHER ORDERED that Arizona Public Service Company file with Docket
2 Control, as a compliance item in this matter, tariff pages consistent with the terms of this Decision
3 within 15 days from the effective date of the Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.
5

6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**
7

8 CHAIRMAN

COMMISSIONER

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11 COMMISSIONER

COMMISSIONER

COMMISSIONER

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13 IN WITNESS WHEREOF, I DEAN S. MILLER, Interim
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto, set my hand and caused the official seal of
16 this Commission to be affixed at the Capitol, in the City of
17 Phoenix, this _____ day of _____, 2008.

18 _____
19 DEAN S. MILLER
20 Interim Executive Director

21 DISSENT: _____

22 DISSENT: _____
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24 EGJ:JJP:lhmkKT
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SERVICE LIST FOR: Arizona Public Service Company
DOCKET NO. E-01345A-05-0816, E-01345A-05-0826, and E-01345A-05-0827

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